109TH CONGRESS 1ST SESSION

H. R. 3891

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

IN THE HOUSE OF REPRESENTATIVES

September 22, 2005

Mr. Tierney (for himself, Mr. Brady of Pennsylvania, Mr. Capuano, Mr. Conyers, Mr. Davis of Illinois, Mr. DeFazio, Mr. Evans, Mr. Fattah, Mr. Filner, Mr. Gutierrez, Mr. Hinchey, Ms. Jackson-Lee of Texas, Mr. Kennedy of Rhode Island, Mr. Kildee, Mr. Lantos, Ms. Lee, Mr. Lewis of Georgia, Mr. Lynch, Mrs. Maloney, Mr. McDermott, Mr. McGovern, Mr. Meehan, Mr. Nadler, Mr. Olver, Mr. Owens, Mr. Sanders, Ms. Solis, Mr. Stark, Mr. Thompson of Mississippi, Mr. Udall of New Mexico, Mr. Weiner, Mr. Delahunt, Ms. Baldwin, Mr. Payne, Ms. Norton, Mr. George Miller of California, Mr. Hastings of Florida, Mr. Kucinich, Mrs. Christensen, Mrs. Jones of Ohio, Ms. Millender-McDonald, and Ms. Carson) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To amend the Social Security Act to provide grants and flexibility through demonstration projects for States to provide universal, comprehensive, cost-effective systems of health care coverage, with simplified administration.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,

1 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

- 2 (a) SHORT TITLE.—This Act may be cited as the
- 3 "States' Right To Innovate in Health Care Act of 2005".
- 4 (b) Table of Contents of
- 5 this Act is as follows:
 - Sec. 1. Short title; table of contents.
 - Sec. 2. Findings and purposes.
 - Sec. 3. Amendment to Social Security Act.

"TITLE XXII—STATE COMPREHENSIVE HEALTH CARE AND COST CONTAINMENT DEMONSTRATION PROJECTS

- "Sec. 2201. Planning grants.
- "Sec. 2202. Demonstration grants.
- "Sec. 2203. State plan requirements.
- "Sec. 2204. Interstate arrangements.
- "Sec. 2205. Definitions.

6 SEC. 2. FINDINGS AND PURPOSES.

- 7 (a) FINDINGS.—Congress finds the following:
- 8 (1) In 2002, in response to a request from the
- 9 Secretary of Health and Human Services (SHHS),
- the Institute of Medicine (IOM) established a Com-
- 11 mittee, officially known as the Committee on Rapid
- 12 Advance Demonstration Projects: Health Care Fi-
- nance and Delivery Systems, with the goal of formu-
- lating models for broader health care reform. The
- 15 committee recommended a 10-year commitment to
- 16 State demonstration projects as a means to encour-
- age States to develop their own systems of universal
- 18 care and facilitate innovation.

- 1 (2) In 2003, annual health care expenditures in 2 the United States totaled \$1.7 trillion, or \$5,670 per 3 person.
 - (3) In 2003, health care expenditures represented 15.3 percent of the gross domestic product (GDP) in the United States and grew at the rate of 7.7 percent while the gross domestic product grew only at the rate of 4.9 percent.
 - (4) Center for Medicare and Medicaid Studies (CMS) actuaries report that the United States as a whole spent an estimated \$1.5 trillion on health care in 2003, or 14.9 percent of GDP of \$10.9 trillion. They project by 2013 the United States will spend about \$3.36 trillion on health care, or 18.4 percent of a GDP of \$18.24 trillion.
 - (5) Because many individuals do not have health insurance coverage, they may incur health care costs which they do not fully reimburse, resulting in cost-shifting to others.
 - (6) According to the Kaiser Family Foundation and Health Research Educational Trust, the total premium for a typical employment-based health insurance policy for a family in 2003 was \$8,800, split between employer and employee. Health Administration costs in the United States total over \$1,000 per

- 1 capita, adding to the high cost of insurance. In 2003
- 2 health insurance enrollment declined by nearly a
- 3 percentage point for a third year in a row.
- 4 (b) Purpose.—It is the purpose of this Act to en-
- 5 courage States—
- 6 (1) to develop plans for universal, comprehen-
- 7 sive, cost-effective systems of health care with sim-
- 8 plified administration to individuals residing in such
- 9 States; and
- 10 (2) to implement such plans by offering transi-
- tional grants and by removing Federal statutory and
- administrative barriers that may inhibit or discour-
- age efforts by States to provide such health care
- while maintaining Federal payments for health care
- under Federal health care programs.
- 16 SEC. 3. AMENDMENT TO SOCIAL SECURITY ACT.
- 17 The Social Security Act (42 U.S.C. 301 et seq.) is
- 18 amended by adding at the end the following new title:
- 19 "TITLE XXII—STATE COM-
- 20 PREHENSIVE HEALTH CARE
- 21 AND COST CONTAINMENT
- 22 **DEMONSTRATION PROJECTS**
- 23 "SEC. 2201. PLANNING GRANTS.
- 24 "(a) APPLICATION.—A State may apply to the Sec-
- 25 retary for a State planning grant under this section to

1	develop a State plan to offer universal comprehensive
2	health care, with simplified administration, and to improve
3	the cost-effectiveness of the health care delivery system.
4	"(b) Contents.—The Secretary may not approve
5	such a State planning grant for a State unless the applica-
6	tion for the grant includes or provides for the following
7	"(1) Budget.—A budget and a budget jus-
8	tification.
9	"(2) Planning process.—A description of
10	how under the grant the State shall—
11	"(A) identify options to provide a uni-
12	versal, comprehensive, and cost-effective system
13	of health care, with simplified administration,
14	that is affordable and accessible to all eligible
15	beneficiaries in the State; and
16	"(B) conduct an analysis that compares
17	projected overall health expenditures over a 7-
18	year period under the proposed system with the
19	projected overall health expenditures that would
20	otherwise occur during such period.
21	"(3) Opportunity for public participa-
22	TION.—Assurances that the State will include a
23	process for public contribution and participation in
24	the planning process.

- 1 "(c) Number of States; Period of Grant.—The
- 2 Secretary may not award State planning grants under this
- 3 section to more than 10 States. A State planning grant
- 4 under this section shall be effective for a period of up to
- 5 30 months. In awarding State planning grants under this
- 6 section the Secretary shall give preference to States from
- 7 a variety of geographic areas in the United States.
- 8 "(d) Amount.—The amount of a State planning
- 9 grant under this section to a State may not exceed
- 10 \$3,750,000.
- 11 "(e) Technical Assistance.—The Secretary shall
- 12 provide States with technical assistance in applying for
- 13 and implementing State planning grants under this sec-
- 14 tion. At the request of the Secretary, other Departments
- 15 and Offices of the Federal Government shall provide
- 16 States with such technical assistance.
- 17 "SEC. 2202. DEMONSTRATION GRANTS.
- 18 "(a) APPLICATION.—A State that has developed a
- 19 State plan may apply to the Secretary for approval of a
- 20 demonstration grant under this section to achieve a cost-
- 21 effective delivery system of universal, comprehensive
- 22 health care with simplified administration. The Secretary
- 23 shall notify the chief executive officer of all States of the
- 24 availability of demonstration grants under this section.

- 1 "(b) APPROVAL.—The Secretary shall approve the
- 2 applications of not more than 5 States under this section.
- 3 In approving grants under this section the Secretary shall
- 4 give preference to States from a variety of geographic
- 5 areas in the United States. If the Secretary determines
- 6 that a State no longer meets the conditions for approval
- 7 of the grant, the Secretary shall notify the State of such
- 8 determination and provide the State with an opportunity
- 9 to correct deficiencies in a timely manner. If the Secretary
- 10 further determines that a State has not corrected such de-
- 11 ficiencies in a timely manner, the Secretary shall termi-
- 12 nate the grant (including waivers authorized under the
- 13 grant).
- 14 "(c) Period.—A demonstration grant approved
- 15 under this section shall be effective for 7 years from the
- 16 date of final approval of the demonstration grant applica-
- 17 tion under subsection (b).
- 18 "(d) State Plan Required.—The Secretary may
- 19 not approve a demonstration grant under this section un-
- 20 less the State has a State plan to carry out the grant con-
- 21 sistent with the requirements of section 2203.
- 22 "(e) Funding.—
- 23 "(1) Transitional grant amount.—The
- amount awarded under this section to a State with
- a demonstration grant approved under this section

- 1 may not exceed an aggregate amount 2 \$10,000,000 plus \$3 multiplied by the number of eligible State residents of the State, to assist the 3 State in the transition of the health care delivery 5 and financing infrastructure. Such amount shall be 6 made available to a State during the period of tran-7 sition, as provided in the State plan. The number of 8 eligible State residents of a State shall be deter-9 mined based on the best available Census Bureau 10 data as of the July 1 before the date the grant 11 under this section is approved.
 - "(2) Maintenance of federal funds
 under waivers.—Pursuant to the waivers under
 subsection (f), the Federal Government shall pay to
 a State amounts for health care under Federal
 health care programs that would otherwise have
 been payable by the Federal Government but for the
 State's universal, comprehensive health care system
 under this section.
 - "(3) GENERAL 3 PERCENTAGE POINTS INCREASE IN FMAP FOR CALENDAR QUARTERS OCCURRING DURING THE PERIOD OF THE DEMONSTRATION GRANT.—
- 24 "(A) IN GENERAL.—Notwithstanding any 25 other provision of law, for each State for which

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1	a demonstration grant is approved under this
2	section, the FMAP of the State shall be in-
3	creased by 3 percentage points for each cal-
4	endar quarter occurring during the period re-
5	ferred to in subsection (c).
6	"(B) FMAP.—In this paragraph, the term
7	'FMAP' means the Federal medical assistance
8	percentage, as defined in section 1905(b) of the
9	Social Security Act (42 U.S.C. 1396d(b)).
10	"(f) Waiver of ERISA Preemption and Waivers
11	TO POOL FUNDS.—As part of a demonstration grant
12	under this section and subject to the benefit maintenance
13	requirements applicable under section 2203(b), a State
14	may request (and the Secretary may grant) the following
15	waivers of requirements and provisions to the extent nec-
16	essary to carry out the State plan under section 2203:
17	"(1) ERISA.—Waiving application of section
18	514 of the Employee Retirement Income Security
19	Act of 1974.
20	"(2) Medicare.—Waiving provisions necessary
21	to permit the State—
22	"(A) to use funds otherwise paid under
23	title XVIII for beneficiaries residing in the
24	State; and

1 "(B) to permit the State to enter into an 2 arrangement with the Secretary under which el-3 igible State residents who are not otherwise en-4 rolled for benefits under parts A and B of such title are enrolled for such benefits under such 6 title and the State provides for such actuarially 7 appropriate reimbursement to the Secretary 8 with respect to coverage of such benefits for 9 such residents as is necessary to assure that the 10 Trust Funds under such title are not adversely affected by virtue of such waiver, such reim-12 bursement subject to— 13 "(i) an independent audit, to be re-14 viewed by the Comptroller General of the

United States, assuring that such reimbursement does not adversely affect in any way the Trust Funds for medicare eligible beneficiaries, and

"(ii) in the case that the audit determines that additional reimbursement to the Secretary is required, such additional reimbursement, with appropriate adjustments for interest attributable to the late reimbursement.

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- 1 "(3) Medicald.—Waiving provisions necessary 2 to permit the State to use funds otherwise paid to 3 the State under title XIX.
- 4 "(4) SCHIP.—Waiving provisions necessary to 5 permit the State to use funds otherwise paid to the 6 State under title XXI.
 - "(5) FEHBP.—Waiving provisions necessary to permit the State to use funds otherwise paid under chapter 89 of title 5, United States Code, or allowing the Office of Personnel Management to purchase health care coverage for Federal employees and retirees in the State under the State plan.
 - "(6) USE OF OTHER FUNDS.—Waiving provisions necessary to permit the State to use funds otherwise provided under other Federal programs for the provision of health care coverage or services, identified by the State.
- 18 "(7) OTHER LAWS.—Waiving of other provi-19 sions of Federal law identified by the State under 20 section 2203(e)(3) only if the Secretary determines 21 such a waiver to be appropriate after consultation 22 with the head of the Federal agency or department 23 concerned.
- 24 The Secretary may grant a waiver under this subsection 25 only if the State provides the Secretary with satisfactory

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- 1 assurances that necessary safeguards have been taken to
- 2 protect the health and welfare of individuals provided serv-
- 3 ices under the waiver and that financial accountability is
- 4 maintained for any funds expended under the waiver. The
- 5 Secretary may grant a waiver under paragraph (1) only
- 6 with the concurrence of the Secretary of Labor.
- 7 "(g) Reenrollment of Eligible State Resi-
- 8 DENTS WHO MOVE FROM A PARTICIPATING STATE.—In
- 9 the case of an eligible State resident who is covered under
- 10 a State plan under section 2203, who (but for such cov-
- 11 erage) is eligible to be enrolled in a program described in
- 12 subsection (f) (including the medicare and medicaid pro-
- 13 grams), and who is not enrolled in such a program because
- 14 of such coverage, if the resident leaves the State to reside
- 15 in a State that does not have such a State plan in effect,
- 16 the resident shall be permitted, notwithstanding any other
- 17 provision of law, to enroll immediately in such a program
- 18 if the resident is still otherwise eligible to be so enrolled.
- 19 In the case of such enrollment in the medicare program,
- 20 the resident shall be treated for purposes of section
- 21 1882(s)(2) (relating to availability of medigap policies
- 22 without underwriting) as if the resident had turned 65
- 23 years of age on the date the resident enrolls in the medi-
- 24 care program.
- 25 "(h) Duties of the Secretary.—

1	"(1) GUIDANCE AND INFORMATION.—The Sec-
2	retary shall—
3	"(A) provide guidance to State health care
4	authorities regarding applications for grants
5	under this title and exchange information with,
6	and otherwise assist, such authorities upon the
7	request of the authorities;
8	"(B) set application procedures;
9	"(C) review and approve applications for
10	demonstration grants under this section, includ-
11	ing providing for appropriate waivers described
12	in subsection (f);
13	"(D) provide appropriate levels of funding
14	for such approved applications consistent with
15	such section;
16	"(E) conduct such evaluation, monitoring,
17	compliance, and other review functions as may
18	be appropriate;
19	"(F) develop guidelines, standards, and
20	formats for States to follow in evaluating, re-
21	porting, and collecting data in order to enable
22	the Commission to monitor State plan adminis-
23	tration and compliance, and to evaluate and
24	compare the effectiveness of State plans; and

- 1 "(G) implement any other requirements or 2 activities necessary and appropriate under this 3 title. 4 "(2) Annual report.—The Secretary shall 5 submit to the President and the Congress an annual
- submit to the President and the Congress an annual report. Such report shall be submitted not later than March 30 of each year and shall include information concerning States that receive grants under this title and the effectiveness of any health care programs assisted by such grants during the previous year.
- "(3) APPROVAL PROCESS.—The provisions of section 2106(c) shall apply to State plans and the Secretary under this title in the same manner as they apply to State plans and the Secretary under such section.

16 "SEC. 2203. STATE PLAN REQUIREMENTS.

- 17 "(a) COVERAGE.—
- "(1) IN GENERAL.—A State plan shall provide a process and a timeline for achieving coverage of all eligible State residents statewide, without regard to employment status, income, health status or preexisting condition, or location of residency within the State.
- 24 "(2) OUTREACH MECHANISMS.—A State plan 25 shall describe the outreach mechanisms to be used to

1	assure coverage of all eligible individuals, including
2	measures to assure coverage of individuals in hard-
3	to-reach populations and to assure benefits are pro-
4	vided to eligible individuals located in underserved
5	areas.
6	"(b) Benefits.—
7	"(1) Basic benefits.—A State plan shall pro-
8	vide for health benefits that—
9	"(A) are at least actuarially equivalent to
10	the standard Blue Cross/Blue Shield preferred
11	provider option service benefit plan, described
12	in and offered under section 8903(1) of title 5,
13	United States Code; and
14	"(B) include benefits for at least the fol-
15	lowing items and services:
16	"(i) Inpatient and outpatient hospital
17	services, including emergency services
18	available 24 hours a day.
19	"(ii) Long term, acute, and chronic
20	care services, including skilled nursing fa-
21	cility services, intermediate care facility
22	services home health services, home and
23	community-based long-term care services,
24	hospice care, and services in intermediate

1	care facilities for individuals diagnosed
2	with mental retardation.
3	"(iii) Professional services of health
4	care practitioners authorized to provide
5	health care services under State law.
6	"(iv) Community-based primary
7	health care services, including rural health
8	clinic services and Federally-qualified
9	health center services.
10	"(v) Laboratory, x-ray services, and
11	diagnostic tests.
12	"(vi) Preventive care, including pre-
13	natal, well-baby, and well-child care, appro-
14	priate immunizations, pap smears, screen-
15	ing mammography, colorectal cancer
16	screening, physical examinations, and fam-
17	ily planning.
18	"(vii) Prescription drugs and
19	biologicals, including insulin and medical
20	foods.
21	"(viii) Mental health services.
22	"(ix) Substance abuse treatment serv-
23	ices.

1	"(x) Vision services, including routine
2	eye examinations, eyeglasses, and contact
3	lenses.
4	"(xi) Hearing services, including hear-
5	ing aids.
6	"(xii) Dental services, including rou-
7	tine check ups.
8	"(xiii) Durable medical equipment, in-
9	cluding home dialysis supplies and equip-
10	ment.
11	"(xiv) Emergency ambulance services.
12	"(xv) Prosthetics.
13	"(xvi) Outpatient therapy, including
14	physical therapy, occupational therapy, and
15	speech language pathology services and re-
16	lated services.
17	"(2) Assurance that benefits are not re-
18	DUCED FOR INDIVIDUALS COVERED UNDER FED-
19	ERAL PROGRAMS.—Insofar as the State under the
20	plan incorporates funding provided by Federal pro-
21	grams described in section 2202(f), the State plan
22	may not provide for a reduction in benefits (includ-
23	ing coverage, access, availability, duration, and bene-
24	ficiary rights, and, if applicable, vaccine benefits
25	under section 1928) otherwise provided for under

such programs or an increase in cost-sharing and premiums otherwise provided for under such programs.

"(3) Continuation of Benefits for Certain Aliens.—Nothing in this title shall be construed as affecting the access of aliens described in section 2204(1)(D) to health care services provided under law for such aliens as of the date of the enactment of this title.

"(c) Quality Assurance.—

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- "(1) IN GENERAL.—A State plan shall provide, and describe, mechanisms to be used to assure, monitor, and maintain the quality of items and services furnished under the plan.
- "(2) Health outcomes.—A State plan shall describe the plan's projected effect on health outcomes in the State, including estimates of health benefits, decreased morbidity and mortality, and improved productivity resulting from reduction in the number of individuals without health benefits.
- "(d) Programs for Medical Education.—A 22 State plan shall describe health professions training and 23 graduate medical education activities applicable under the 24 plan, and shall provide, under the State plan, for payment 25 from Federal, State, and local governments for such train-

1	ing and education activities in the amounts that would
2	otherwise be payable by such governments but for the
3	State's universal, comprehensive health care system under
4	the State plan.
5	"(e) Financing.—
6	"(1) Budget.—A State plan shall incorporate
7	a budget which contains—
8	"(A) detailed projections of health care ex-
9	penditures presently and under the proposed
10	system, including an identification and calcula-
11	tion of the amount of funding to be provided by
12	the Federal, State, and local governments under
13	the plan and an assurance that the amount of
14	expenditures made by the State and local gov-
15	ernments will not be reduced as a result of the
16	implementation of the plan; and
17	"(B) a description (and an estimate of
18	costs) of transitional activities to be undertaken
19	in implementing the proposed system.
20	"(2) Cost containment.—A State plan shall
21	describe the means to be used to contain costs under
22	the plan, including when and how the plan will in-
23	crease efficiencies.
24	"(3) Federal expenditure limit.—A State
25	plan shall contain assurances that aggregate Federal

expenditures on health care (including Federal expenditures under titles 5, 10, and 38 of the United States Code, and under this Act) under the plan will not exceed aggregate Federal expenditures that would have been incurred in the absence of such plan.

"(f) Implementation.—

- "(1) IN GENERAL.—A State plan shall describe the method (including a timetable and period of transition) for implementing the plan.
- "(2) COORDINATION.—A State plan shall identify all Federal, State, and local programs that provide health care services in the State and describe how such programs would be incorporated in, or coordinated with, the health coverage system under the plan.
- "(3) Federal waivers required.—A State plan shall identify any waivers of Federal law required to implement the plan, including the use of any pooled Federal funds and other waivers described in section 2202(f).
- "(4) APPROVAL OF STATE LEGISLATURE.—A State plan shall provide that State approvals and commitments (including approval of the State legislature) necessary for the implementation of the plan

- 1 will be obtained by not later than 1 year after the
- 2 date of the Secretary's approval of the plan. Any ap-
- 3 proval of a grant is conditioned upon the timely
- 4 completion of such approvals and commitments.
- 5 "(g) EVALUATION.—A State plan shall provide for a
- 6 process for its evaluation, and shall comply with any eval-
- 7 uation reporting or data collection requirements imposed
- 8 by the Secretary.
- 9 "(h) Construction.—Nothing in this title shall be
- 10 construed as preempting State laws that provide greater
- 11 protections or benefits than the protections or benefits re-
- 12 quired under this title.
- 13 "SEC. 2204. INTERSTATE ARRANGEMENTS.
- 14 "(a) In General.—One or more contiguous States
- 15 in a geographic region may file a joint application for
- 16 planning and demonstration grants under this title.
- 17 "(b) Congressional Approval.—Congress hereby
- 18 authorizes and approves States entering into Interstate
- 19 Compacts in order to conduct joint health care programs
- 20 under such a grant.
- 21 "(c) References to State.—In the case of a joint
- 22 application described in subsection (a), any reference in
- 23 this title to a State is deemed to refer to all of the States,
- 24 and the approval of a grant with respect to such a joint

1	application shall be counted as 1 State for purposes of
2	applying sections 2201(c) and 2202(b).
3	"SEC. 2205. DEFINITIONS.
4	"As used in this title:
5	"(1) ELIGIBLE STATE RESIDENT.—The term
6	'eligible State resident' means any resident of the
7	United States who is a citizen or national of the
8	United States, or lawful resident alien, and who re-
9	sides in any particular State. Such term may in-
10	clude, at the option of a State, the following:
11	"(A) State employees and dependents of
12	such employees.
13	"(B) Employees, and dependents of such
14	employees, working in a work site of a business
15	located in the State.
16	"(C) One or more classes of non-
17	immigrants (as defined in section 101(a)(15) of
18	the Immigration and Nationality Act) specified
19	in the State plan.
20	"(D) Aliens unlawfully present in the
21	United States.
22	"(2) Lawful resident alien.—The term
23	'lawful resident alien' means an alien lawfully admit-
24	ted for permanent residence and any other alien law-
25	fully residing permanently in the United States

- under color of law, including an alien granted asylum or with lawful temporary resident status under section 210, 210A, or 245A of the Immigration and Nationality Act.
 - "(3) Secretary.—The term 'Secretary' means the Secretary of Health and Human Services.
 - "(4) STATE.—Subject to section 2204(c), the term 'State' means a State, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
 - "(5) STATE PLAN.—The term 'State plan' means a comprehensive health care plan of a State participating in a State Care demonstration project under this title that meets the requirements of section 2203.".

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